

THE DELAWARE, LACKAWANNA AND WESTERN
RAILROAD COMPANY
140 CEDAR STREET
NEW YORK 6, N. Y.

Notice of Annual Meeting

The annual meeting of stockholders of THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY will be held at this office, Room 1915, on Tuesday, May 10, 1949, at 11 o'clock A. M., Eastern Daylight Saving Time, if the same shall then be in effect, otherwise at 11 o'clock A. M., Eastern Standard Time, for the following purposes:

- (a) the election of Managers (Directors) and Officers;
- (b) considering and acting upon such other matters as may properly come before such meeting.

The stock transfer books of the Company will not be closed, but the close of business on March 31, 1949 has been fixed as the record date for the determination of stockholders of the Company entitled to vote at the meeting and only stockholders of record on such date and no others shall be entitled to vote at the meeting.

If you are unable to attend the meeting, but desire your stock to be voted, will you please execute and return the enclosed proxy in the accompanying envelope to which no postage need be affixed if mailed in the United States.

J. G. ENDERLIN,

Secretary.

New York, N. Y.,

March 22, 1949.

**THE DELAWARE, LACKAWANNA AND WESTERN
RAILROAD COMPANY**
140 CEDAR STREET
NEW YORK 6, N. Y.

March 22, 1949.

**To Holders of Shares of the Capital Stock of
The Delaware, Lackawanna and Western Railroad Company:**

This statement is made with respect to the election of Managers (Directors) and Officers which is to take place at the annual meeting of stockholders called for May 10, 1949.

Proxies authorizing the persons named therein who have been designated by the Managers of The Delaware, Lackawanna and Western Railroad Company to vote such stock for the election of Managers and Officers at said meeting of the stockholders are being solicited from the holders of shares of the Capital Stock by the Management.

The Company has outstanding 1,688,824 shares of Capital Stock. Each share of stock is entitled to one vote. The stock transfer books of the Company will not be closed, but the close of business on March 31, 1949 has been fixed as the record date for the determination of stockholders of the Company entitled to vote at the meeting and only stockholders of record on such date and no others shall be entitled to vote at the meeting. Copy of the Annual Report for the year 1948 has heretofore been mailed to stockholders.

The annual meeting as above stated is called for the election of Managers and Officers of the Company and the transaction of such other business as may properly come before the meeting. As of the date of this statement, the only business which the Management intends to present or knows that others will present at the meeting is such election. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote said proxy in accordance with their judgment on such matters.

INFORMATION CONCERNING NOMINEES FOR MANAGERS AND OFFICERS

The following offices are to be filled by election at the meeting:

14 members of the Board of Managers

President

Secretary and Treasurer

The following are nominees for members of the Board of Managers for the respective terms indicated, and for President and Secretary and Treasurer each for the term of one year, with information indicated as to their principal occupation or employment, period or periods during which each has served as Manager, and their ownership of securities of the Company owned beneficially, directly or indirectly, as of February 28, 1949:

Name and Principal Occupation	Term of Office as Manager	Period of Service as Manager	Securities
M. Hartley Dodge	Three Years	1914 to date	300 shs. \$5,000 Bonds
Chairman of the Board, Remington Arms Company, Inc., New York			
Roy C. Gasser	Three Years	1922 to date	100 shs.
Lawyer—Member of firm of Gasser, Hayes and Davidson, New York			
Paul Moore	Three Years	1923 to date	8,000 shs.
Finance, New York			
Roy E. Tomlinson	Three Years	1930 to date	410 shs.
Chairman of the Board, National Biscuit Company, New York			
Arthur A Houghton, Jr.	Two Years	1935 to date	100 shs.
Corning Glass Works, Corning, N. Y.			

Name and Principal Occupation	Term of Office as Manager	Period of Service as Manager	Securities
Willard F. Place	Two Years	1939 to date	100 shs.
Vice President, New York Central Railroad Company, New York, which holds 132,825 shares			
Robert W. Lea	Two Years	1940 to date	100 shs.
President, Johns-Manville Corporation, New York			
Robert G. Fuller	Two Years	1941 to date	100 shs.
Vice President, The First National Bank of the City of New York, New York			
Wm. White, New York	One Year	1940 to date	1,200 shs. \$22,000 Bonds
President and Manager (Nominee for President and Manager)			
Lewis G. Harriman	One Year	1943 to date	1,000 shs.
President, Manufacturers and Traders Trust Company, Buffalo, N. Y.			
Lee P. Stack	One Year	1945 to date	100 shs.
Vice President, John Hancock Mutual Life Insurance Company, Boston, Mass.			
Ralph D. Jennison	One Year	1947 to date	100 shs.
President, New York State Electric & Gas Corporation, Binghamton, N. Y.			
William H. Moore	One Year	1947 to date	100 shs.
Assistant Treasurer, Bankers Trust Company, New York			
W. Paul Stillman	One Year	November 29, 1948 to date	400 shs.
President, National State Bank, Newark, N. J. Chairman of the Board, The Mutual Benefit Life Insurance Company, Newark, N. J.			
John G. Enderlin, New York Nominee for Secretary and Treasurer			100 shs.

Robert G. Fuller is Vice-President of The First National Bank of the City of New York, which is a depository of the funds of the Company. It is depository under merger agreements of capital stock of the companies merged into The Delaware, Lackawanna and Western Railroad Company, and Trustee of Mortgage securing Lackawanna of New Jersey Division First Mortgage Bonds, Series A and B and of certain of the Company's Equipment Trusts, and is Sinking Fund and Scrip Agent for certain of its securities. It owns \$40,000 principal amount of the Company's Equipment Trust Certificates, Series A, and \$720,000 principal amount of the Company's Equipment Trust Certificates, Series D, and \$1,000,000 par value New York, Lackawanna and Western Division Bonds.

Lewis G. Harriman is President of Manufacturers and Traders Trust Company, Buffalo, New York. The Manufacturers and Traders Trust Company is a depository of the funds of the Company, and Trustee under the Company's Income Bond Mortgage, New York, Lackawanna and Western Division. It owns \$400,000 principal amount of the Company's Equipment Trust Certificates, Series D.

Lee P. Stack is Vice-President of John Hancock Mutual Life Insurance Company, Boston, Mass., which is the owner of \$1,407,000 principal amount of First and Refunding Mortgage 4% Gold Bonds, Series A, \$321,000 principal amount of First and Refunding Mortgage 4½% Gold Bonds, Series B, \$2,406,500 principal amount of First and Refunding Mortgage 5% Bonds, Series C (New York, Lackawanna and Western Division) and \$630,000 principal amount of the Company's Equipment Trust Certificates, Series G.

W. Paul Stillman has been President of National State Bank, Newark, N. J. since September 1931 and Chairman of the Board of The Mutual Benefit Life Insurance Company, Newark, N. J. since January 1946. The National State Bank, Newark, N. J., is a depository of the funds of the Company. The Mutual Benefit Life Insurance Company of Newark, N. J., owns \$522,000 principal amount of Morris and Essex Refunding Mortgage 3½% Gold Bonds of 2000, \$400,000 principal amount First and Refunding Mortgage 4% Gold Bonds Series A, \$1,000,000

principal amount First and Refunding Mortgage 4½% Gold Bonds, Series B (New York, Lackawanna and Western Division).

The only person who, within the knowledge of the Company, owned of record as of February 1, 1949, more than 10% of the outstanding voting securities of the Company was Merrill Lynch, Pierce, Fenner & Beane, who according to the stock records of the Company owned of record on said date 217,955 shares of Capital Stock constituting approximately 12.9% of the outstanding Capital Stock as of such date. The Company is informed that Merrill Lynch, Pierce, Fenner & Beane is the beneficial owner of none of such shares of Capital Stock.

Remuneration of Managers, Nominees and Officers

The following indicates the aggregate remuneration directly or indirectly paid or set aside by the Company and its subsidiaries to, or for the benefit of, the following persons for services in all capacities while acting as Managers or Officers of the Company during the calendar year 1948:

- (1) Each person who was a Manager of the Company at any time during such year and whose aggregate remuneration, exclusive of pension, retirement and similar payments, exceeded \$25,000.
- (2) Each person who was one of the three highest-paid Officers of the Company during such year and whose aggregate remuneration, exclusive of pension, retirement and similar payments, exceeded \$25,000.
- (3) All persons, as a group, who were Managers or Officers of the Company at any time during such year.

Name of Individual or Identity of Group	Capacities in which Remuneration was Received	Fees, Salaries and Commissions	Excess over Previous Year	Premiums Paid for Group Life Insurance
W.M. WHITE	President and Manager	\$ 73,290	\$10,750.00	\$ 72.40
CLYDE F. FARMER	Vice President	30,080
P. M. SHOEMAKER	Vice President	25,210	5,106.74	102.40
Managers and Officers as a Group	Managers and Officers	208,960	26,488.44	362.00

During the calendar year 1948 no amounts were paid to the Managers and Officers of the Company as bonuses or shares in profits, and, except for the tax imposed by the Federal Carriers Taxing Act which provides the funds for the payment of annuities and benefits to railroad employees and which is paid by the Company and its employees, no amounts were paid, set aside or accrued pursuant to any pension, retirement, savings or other similar plan. The Company does have in effect, however, a plan, subject at any time to termination or modification, for the payment, out of earnings, of pensions to officers and employees who meet the specified requirements as to age, length of service, etc. Such pensions are payable at the monthly rate of one per cent. (1%) of the average monthly basic compensation for the period of ten (10) years next preceding retirement multiplied by the number of years of net continuous service less amounts payable under the Railroad Retirement Act or future applicable Federal or State Pension Laws.

The persons named in the enclosed form of proxy will vote all shares which may be represented by said proxy for the election of the foregoing nominees. However, if, at or before the annual meeting, a nominee shall withdraw his candidacy or be unable to serve, the proxy will be voted in accordance with the judgment of the person or persons acting thereunder.

RIGHT TO REVOKE PROXIES

The proxy enclosed herewith may at any time before it is exercised be revoked by written notice to the Company.

MANNER OF SOLICITING PROXIES

The cost of preparing the proxies and related material and the cost of the solicitation of the proxies will be borne by the Company. In addition to the solicitation of proxies by the use of the mails, Officers, Managers and regular employees of the Company, who will receive no additional compensation therefor, may solicit proxies by telephone, telegraph or personal call, the cost of which will be nominal and will also be borne by the Company. Solicitation of proxies will be conducted under the supervision of the Secretary of the Company.

THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY,

J. G. ENDERLIN,
Secretary.

LACKAWANNA

Special Rept

Referred to in p127

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Rept.

THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY
140 CEDAR STREET NEW YORK 6, N. Y.

WM. WHITE
PRESIDENT

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January 21, 1948.

To Lackawanna Stockholders:

On January 8th we made announcement that your Company has acquired a substantial interest in the common stock of The New York, Chicago and St. Louis Railroad Company, commonly known as the Nickel Plate Road, and that our purpose was eventual merger of the Nickel Plate Road with your Company.

Consolidation of railroads into fewer systems was declared to be the national policy by Congress in the Transportation Act of 1920, and in accordance therewith the Interstate Commerce Commission prepared a plan for consolidation of railroads, in which your Company was designated as a part of the proposed New York Central system. Although we do not know that this designation was influential in the matter, it has nevertheless been a matter of record that the New York Central is a substantial holder of Lackawanna common shares. These provisions for a plan of consolidation have, however, been deleted from the law by later amendment, and, in our opinion, (not necessarily shared by management of New York Central) inclusion of Lackawanna in a New York Central system would benefit neither company, as New York Central and Lackawanna are competitors in respect to considerable business.

A year ago an attempt was made to merge Chesapeake & Ohio, Pere Marquette and Nickel Plate, the Chesapeake & Ohio at that time owning 57% of Nickel Plate common stock. This merger failed of consummation so far as Nickel Plate was concerned, and thereupon the Chesapeake & Ohio declared its intention of disposing of its Nickel Plate stock. It has been publicly stated that had that merger been consummated the interests involved considered that eventually a merger of Lackawanna into that system would have been desirable in order to provide access into the metropolitan district of New York and its port. But when inclusion of the Nickel Plate in the Chesapeake & Ohio-Pere Marquette merger failed, and the Chesapeake & Ohio announced its intention of disposing of its stock interest in Nickel Plate, it was obvious that inclusion of the Lackawanna in that system was impossible.

The problem of Management has always been to determine what, if any, alliance would ultimately be best for its stockholders. Announcement of the Chesapeake & Ohio's intention to dispose of its stock interest in Nickel Plate brought the question to the fore. Between Buffalo and New York there are four direct rail routes, namely, New York Central, Erie, Lackawanna, and Lehigh Valley. Of these four, the Lackawanna and Lehigh Valley are Buffalo-New York routes only, and the majority of the stock of the Lehigh Valley is owned by the Pennsylvania and Wabash, with the Pennsylvania owning the major part of the Wabash stock.

Under these circumstances it is possible that there might eventually be a merger of Wabash and Lehigh Valley, and Lackawanna would be left as the only exclusively Buffalo-New York route, with its principal competitors having rail lines between New York and Chicago and St. Louis. The Nickel Plate, unless acquired by one of our competitors, would then be left as the only exclusively Buffalo-Chicago-St. Louis line, with its principal competitors being New York, Chicago and St. Louis lines.

Lackawanna and Nickel Plate have enjoyed a close traffic relationship for many years and each is the principal interchange connection of the other at Buffalo. A joint through passenger service has been operated by Lackawanna and Nickel Plate between New York and Chicago. It is obvious, therefore, that each has much to offer the other in a merger.

The question facing the Management of your Company was whether to sit back and await developments or initiate steps of its own in the general scheme of railroad consolidations. It elected to take the

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initiative, and when Chesapeake & Ohio announced its intention of distributing its Nickel Plate common stock to Chesapeake & Ohio shareholders as a dividend, we had determined upon a course of action and were prepared to purchase Nickel Plate common stock in the open market.

The Nickel Plate is engaged in endeavoring to work out the terms of a merger with Wheeling & Lake Erie, and some recapitalization of Nickel Plate is necessary in order to eliminate dividend arrearage on its preferred stock. These are matters in which your Company, as shareholders of Nickel Plate, have an interest and wish to be helpful. Our aim is eventual merger of Lackawanna and Nickel Plate and at the proper time such steps as seem to be advisable looking toward eventual merger will be taken.

W^m White